



Geothermal Investment: An Equity Provider's Perspective

**Geothermal Investors' Forum
Montrose, CO**

October 19, 2007

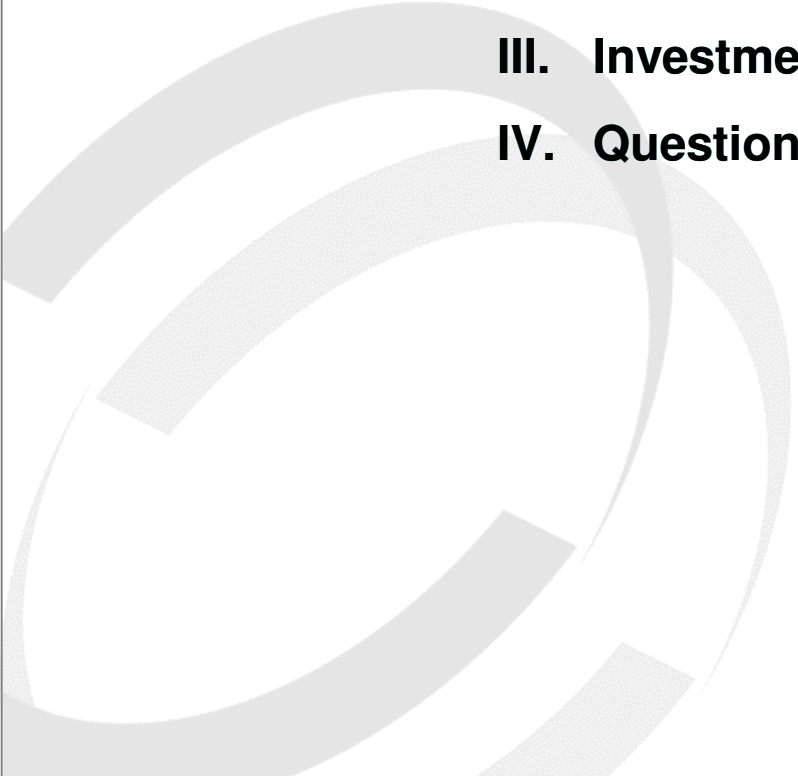
Bottom Line

THE PRESENCE OF GEOTHERMAL RESOURCES DOES NECESSARILY INDICATE AN ATTRACTIVE INVESTMENT OPPORTUNITY



Source: www.icommag.com

Overview

- I. US Renewables Group Overview**
 - II. Equity Investment in Geothermal**
 - III. Investment Criteria**
 - IV. Questions**
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I. US Renewables Group Overview

US RENEWABLES GROUP IS AN INVESTMENT MANAGEMENT FIRM WITH TWO FUNDS FOCUSED ON THE RENEWABLE ENERGY AND CLEAN FUELS SECTORS

- USRG believes that the unprecedented confluence of macroeconomic events along with political and environmental conditions has created numerous attractive, long-term investment opportunities
- USRG is led by a deep team of highly experienced renewable energy investment and operating professionals
- Fund II, which closed in July, will seek to continue USRG's successful historical investment strategy of investing in renewable power generation and biofuels projects
- USRG seeks project and asset-based investments with an interest in forming platform companies where appropriate

I. USRG Investment Portfolio

USRG FUNDS I & II ACQUIRE, DEVELOP AND OPERATE RENEWABLE POWER AND CLEAN FUELS PROJECTS

POWER

- Geothermal
- Biomass
 - Tracy Biomass Generation
 - Niagara Generation
- Landfill Methane
- Solar Thermal



FUELS

- Ethanol
 - ASAAlliances Biofuels
 - 2nd Generation Technology
- Biodiesel
 - US Biodiesel Group
- Waste to Fuels
- Biofuels Infrastructure
 - Pipestem



I. USRG Geothermal Investments

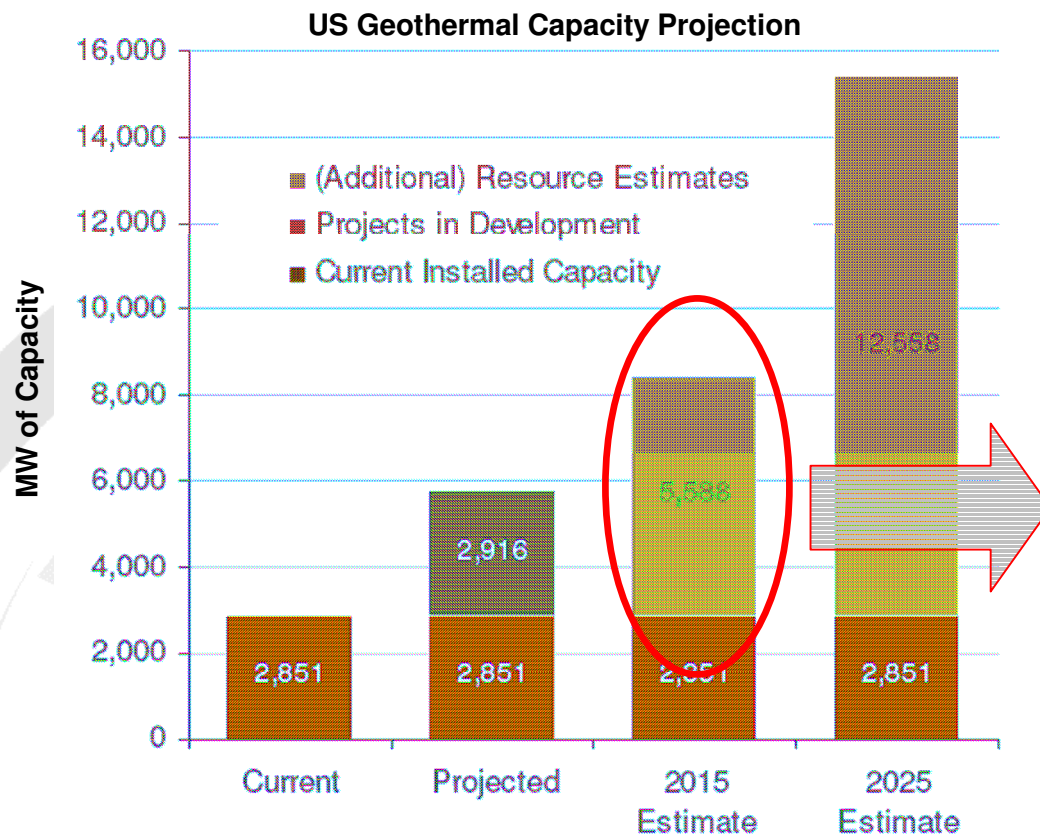
USRG HAS MADE A NUMBER OF INVESTMENTS IN THE GEOTHERMAL SECTOR FROM BOTH FUND I & FUND II

- Bottle Rock Power Plant
 - 55 MW re-powered facility in the Geysers
- ThermaSource
 - Premier provider of drilling rigs and services
 - Currently owns and/or operates 6 rigs
- Integral Energy Management
 - Provider of development, project management and O&M services



II. Equity providers see real opportunity in the sector

MARKET PROJECTIONS FOR THE US ALONE INDICATE LARGE AMOUNTS OF EQUITY WILL BE REQUIRED OVER THE NEXT 5-10 YEARS TO SUPPORT GEOTHERMAL GROWTH



Assume:

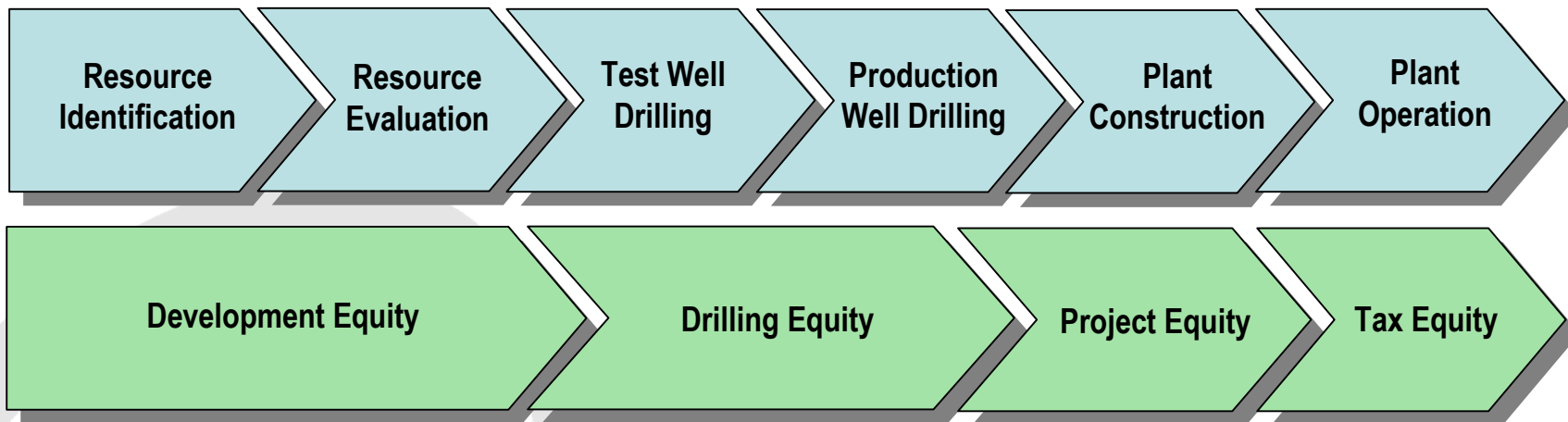
- \$3,000/kW of installed capacity
- Conservative 50/50 leverage

\$8.4 billion of equity investment by the year 2015

Source: Chart courtesy of Glitnir Bank, "U.S. Geothermal Market Report," September 2007. Data from Geothermal Energy Association and WGA Geothermal Task Force.

II. Staged development attracts different types of investors

THE GEOTHERMAL DEVELOPMENT CYCLE REQUIRES EQUITY AT VARIOUS STAGES WITH VERY DIFFERENT RISK PROFILES



- Developers
- IPPs (Development Pipeline)
- Resource Speculators

- Private Equity
- Public Markets
- Financial Partners

- Private Equity
- Strategic Partners

- Financial Players
- Large IPPs with ability to monetize PTCs

III. Key areas for due diligence efforts

EQUITY PROVIDERS WILL FOCUS ON THE SAME RISKS AS A PROJECT BANK BUT ARE LIKELY TO EVALUATE EACH SLIGHTLY DIFFERENTLY

- Resource
- Siting & Land Position
- Permitting
- Exploration & Drilling Plan
- Interconnection
- PPA
- Water Availability & Re-injection Plan
- Equipment & Technology
- Construction
- Operations
- Production Tax Credits
- Management Team

III. What really matters

EQUITY PROVIDERS NEED TO SEE A CLEAR PATH TO PROFITABILITY

- **Resource**
 - What existing data is available and have any wells been drilled previously?
 - What geophysical and geochemical analysis has been performed?
 - Is there a reasonable plan of exploration?
 - Are the expectations around resource and output consistent with the data?
- **Team**
 - What is the team's track record with geothermal development?
 - What additional skills will be required for a successful project?
 - Does the team recognize its strengths and weaknesses?
- **Path to Commercial Operations**
 - What are the major risks associated with *this* project?
 - What is the probability of achieving COD on time and on budget?
 - Have the appropriate contingencies been considered?
 - Does the scale of the project make sense?

IV. Questions

Feel free to contact me with any questions:

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